

New Benefits will make Federal Student Loan Payments More Manageable to Repay

Washington, DC - On July 1, new benefits will take effect that will make student loans more affordable to repay by allowing borrowers to cap their monthly loan payments at a reasonable percentage of their income. Certain eligible low-and moderate-income students taking out new federal student loans will also see lower interest rates and higher Pell Grant scholarships.

“As one of the few Members of Congress still paying off student loans, I fought hard for essential help for students who are working their way through college,” said Rep. Linda Sánchez. “Getting an affordable college education has never been more important. College graduates should be able to choose careers based on their skills and interests, rather than on the size of student loan payments. This will make loan repayment easier for students, no matter what job they take.”

The benefits are all kicking in as part of the College Cost Reduction and Access Act, which Rep. Sánchez helped enact in 2007 under the new Democratic Congress. The legislation invested \$20 billion in college aid for families, at no additional cost to taxpayers - the single largest investment to help Americans pay for college since the GI Bill.

Beginning July 1, for the first time, borrowers will be able to participate in a new Income-Based Repayment program that caps their monthly loan payments at just 15 percent of their discretionary income (defined as 15 percent of what a borrower earns above 150 percent of the poverty level for their family size).

“This new program gives our students the help they need to get a quality college education and continue on their paths to lifetime success,” continued Sánchez.

Any current or future borrower whose loan payments exceed 15 percent of their discretionary income will be eligible. After 25 years in the program, borrowers’ remaining loan balances, including interest, will be completely forgiven.

Other benefits that go into effect July 1 include:

- * Cheaper interest rates on need-based (subsidized) federal student loans. On July 1, interest rates on these loans will continue to drop, from 6 percent to 5.6 percent. This is the second of four annual cuts in this interest rate; it will continue to drop until it reaches 3.4 percent in 2011. Nationwide, about 5.5 million students take out subsidized student loans each year.

- * Higher Pell Grant scholarships for low- and moderate-income students. Due to funding boosts provided by both the College Cost Reduction and Access Act and the American Recovery and Reinvestment Act, the maximum Pell Grant scholarship for the 2009-2010 school year will be \$5,350 - more than \$600 above last year’s award. About 6 million students receive this scholarship each year.

In addition, Americans will continue to be able to enter into a new public service loan forgiveness created under the law. College graduates - or workers of any age - who enter public

service professions will have their federal college loans completely forgiven after ten consecutive years of service and loan repayments. Eligible public servants include firefighters, public defenders and prosecutors, first responders, law enforcement officers, early childhood educators and men and women serving in the military, and more. This program can be used in conjunction with Income-Based Repayment.

Recent data shows that Americans' interest in public service is surging. This year's applications for programs like Teach for America and AmeriCorps have skyrocketed by 42 percent and 200 percent, respectively.